

STATE INVESTMENT COMMISSION
MINUTES
March 21, 2001

The State Investment Commission meeting was called to order by Jonathan Miller, State Treasurer on March 21, 2001 at 2:00 p.m. in Room 264 of the Capitol Annex. Other members present were Orson Oliver, Bank of Louisville and Kevin Flanery, Secretary, Finance and Administration Cabinet.

Treasurer Miller confirmed that a quorum was present and the press had been notified of the meeting. On a motion by Mr. Oliver with a second by Kevin Flanery, the minutes of the December 11, 2000 meeting were **APPROVED**.

Gordon L. Mullis, Executive Director, Office of Financial Management ("OFM"), provided a brief economic update. The Commonwealth's receipts through February have softened and the economy is not performing at a level to meet the end of the year estimate of \$6.8 billion. As a result, the Consensus Forecasting Group met and lowered the official revenue estimate by \$90 million. The state budget director and Secretary Flanery are taking the necessary steps to end the fiscal year with a balanced budget as required by law. Mr. Mullis indicated that the Federal Reserve met on Tuesday March 20 and lowered interest rates by 50 basis points, which is the third reduction this year in interest rates. Mr. Mullis indicated that many of the underlying components of the economy are not as bad as the stock market indicates. Wholesale prices in February only rose one tenth of a percent. However, excluding food and energy, wholesale prices fell by a margin among the largest in the last several years. Consumer confidence was down in January, rose slightly in February and in mid-March rose higher. Housing sales rose in January and housing starts are comparable to the same period one year ago. Vehicle sales, one of the harbingers of the economy, especially in Kentucky, are relatively strong. The consumer price index, released today, was up three-tenths of a percent. The imbalance in trade continues to be the largest negative factor facing the economy at this time.

Mr. Mullis informed the Commission that the Securities Lending Request for Proposal received 7 responses; 4 responded to serve on an agency basis and 3 responded to serve on a principal basis. Staff selected Credit Suisse First Boston to serve on an agency basis with a guarantee of 10 basis points on the portfolio valuation, which is a minimum of \$1.5 million this year.

Mr. Mullis introduced Resolution 01-01 approving the Broker/Dealer List for Fiscal Year 2001. Three additions were made to the primary list: ABN-AMRO, CIBC World Markets and Dresdner Kleinwort Wasserstein. These providers have been added to facilitate the Commonwealth's Securities Lending Contract. Staff recommended approval. No changes were made in the non-primary dealer relationships.

Chairman Miller asked for questions concerning Resolution 01-01. There were no questions concerning this Resolution. A motion was made by Secretary Flanery and seconded by Mr. Oliver to adopt this Resolution. Resolution was **ADOPTED**.

Minutes – State Investment Commission
Page Two
March 21, 2001

With no further business before the Commission, the motion was made by Secretary Flanery and seconded by Mr. Oliver to adjourn the meeting.

Gordon L. Mullis, Secretary
State Investment Commission